



## ECONOMIC OVERVIEW & OUTLOOK

The country's economy witnessed improvement at the start of CY26, albeit the January effect can be considered to play a part in the way the economy behaved during this period.

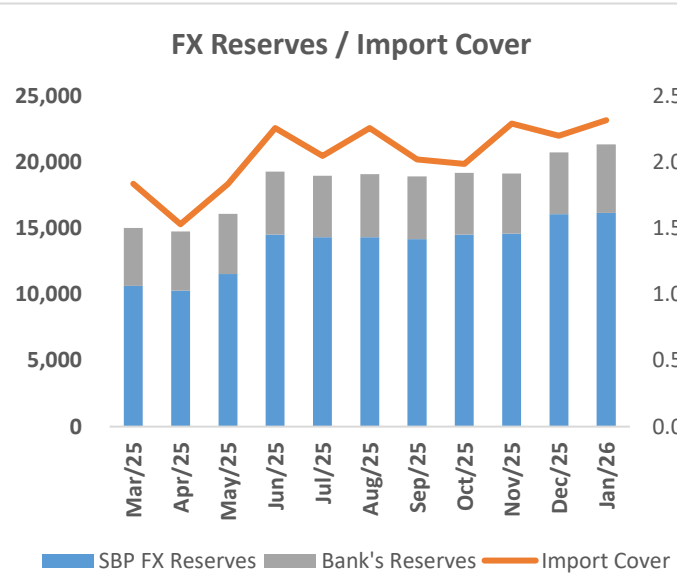
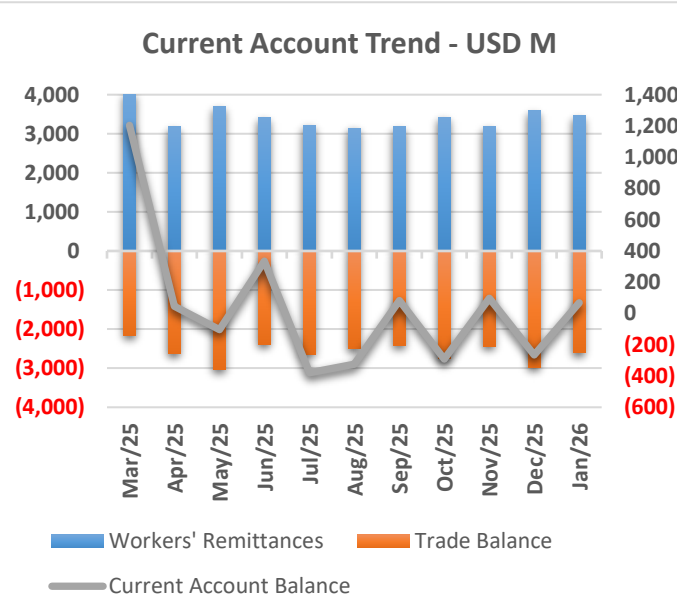
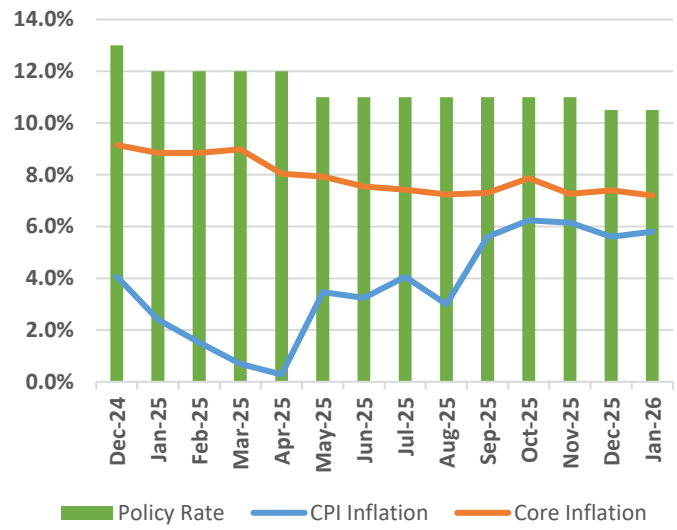
The CPI Inflation for January stood at 5.8%, which shows a 0.2% MoM increase. Core Inflation increased to 7.63%, a rise of 0.23% from the last month. Meanwhile, the Monetary Policy Committee decided to maintain the Policy rate at 10.5% in its meeting held on 26<sup>th</sup> January, 2026.

On the macroeconomic front, the country recorded a trade deficit of USD 2,601million during the month. This was a decrease of 13% compared to last month. The country's imports decreased by 4.5% MoM, but the exports remained steady at 2.745bn for January. However, another factor of the external account was that of remittances, which were recorded at USD 3,464 million during Jan26, recording a 3.56 % decrease MoM.

The outlook remains positive with support from recovery in the industrial activity. Inflation is projected to remain in the SBP target of 5-7%. The external account is expected to remain stable with additional support from growing remittances and IT exports.

Key developments in December were as follows:

- I. CPI Inflation was recorded at 5.8% (YoY), whereas Core Inflation was at 7.63%.
- II. The country recorded a Current Account Surplus of USD 68 million.
- III. Cumulative exports during July–January 2025-26 totaled \$18.25 bn, down 5.53% from \$19.32bn in the corresponding period last year.
- IV. The Trade Deficit of the month was USD 2,601 million, bringing the cumulative trade deficit for July–January 2025-26 stood at \$ 18.41 billion.
- V. Imports were up by around 10.40% compared to Jan25, recorded at USD 5,805 million for the month.
- VI. Total Remittances reached 3,464 million (USD) in the month of January.



## STOCK MARKET OVERVIEW

The KSE 100 Index continued its upward momentum during January 2026, delivering a 5.8% return over the month. KSE100 Index gained 10,120 points during the month and closed at 184,174 points. Key factors influencing this positive trajectory included improving macroeconomic conditions, enhanced liquidity, and sustained corporate fundamentals.

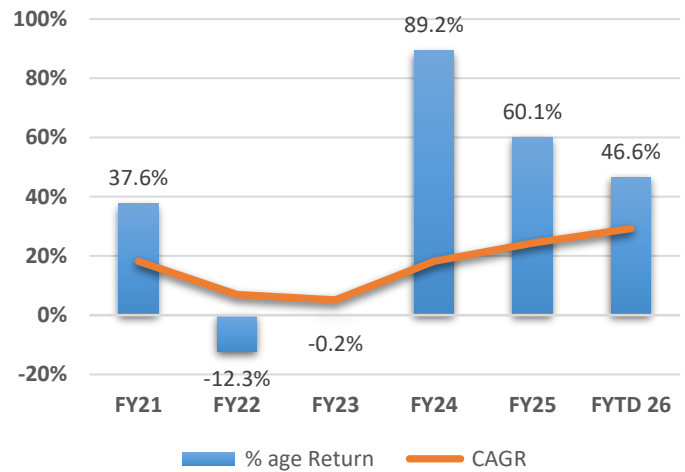
However, the CPI inflation reversed its momentum, increasing to 5.8% from 5.6% last month. Fortunately, SBP helped with monetary easing as they decided to maintain the policy rate at 10.5% at the start of the year. Moreover, due to a general January effect, markets remained optimistic, with strong investor sentiment.

Despite the phenomenal performance, valuations remain reasonable and fundamentals are getting strong day by day. Improving macroeconomic conditions with sustained GDP growth could make local equities to offer attractive returns in the upcoming year while dividend yields of 5-6% continue to contribute toward total return.

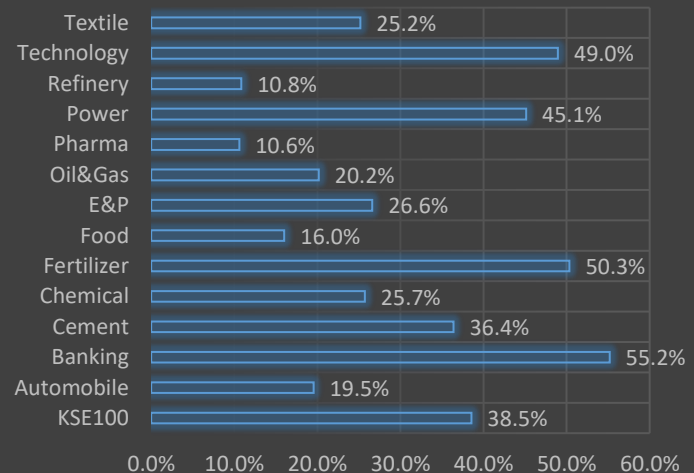
Key updates in January were as follows:

- I. The KSE 100 Index surged 5.8% during the month, bringing the cumulative gain of 7MFY26 to 46.6%.
- II. Highest MoM sectoral gains were recorded by Refinery (14.8%), Automobile (11%), E&P (10.3%), Banking (9.3%), Power (7.7%) and Textile (7.2%), which outperformed the market.
- III. However, the Technology and Cement sectors remained the lowest performing in the entire index.
- IV. As of the end of January, the total market capitalization of the KSE 100 Index stood at PKR 5.438 trillion (approx. USD 19.44 billion).
- V. Amongst KSE 100, the leading contributor by index points was SAZEW Industries, followed by MCB and NESTLE. The banking and pharmaceutical sectors stood out as two of the leading contributors to performance on the KSE-100 Index leaderboards this month.

### KSE-100 Index Performance



### Sector Performance - FYTD 26



### TOP CONTRIBUTING SCRIPS



## MONEY MARKET OVERVIEW

The Monetary Policy Committee (MPC), in its recent meeting held on 26<sup>th</sup> January 2026, decided to maintain the policy rate at 10.5%. Inflation on average did increase by 0.2% during Jan 26, core inflation also followed the momentum and increased from 7.4% to 7.63%. Inflation outlook remains stable within the target range of 5-7%. Furthermore, the economic activity continues to gain traction, based on improvement in key indicators, including Large Scale Manufacturing.

The SBP conducted the auction of T-Bills twice this month, on 7<sup>th</sup> and 21<sup>st</sup> January, with the target amounts of Rs. 850 billion and 700 billion, respectively. The participation remained robust in both the auctions, with the SBP accepting Rs. 979.33 billion and Rs. 725.7 billion, respectively, from the auctions. Cut off yields saw decline across for all tenures as yields for 1M, 3M, 6M and 12M fell by 59 bps, 59 bps, 53 bps and 49 bps, respectively when compared with last month.

In the PIB Auction on 14<sup>th</sup> January 2026, the SBP accepted an amount of Rs. 546.32 billion against a target amount of 450 billion, whereas the offer amount was Rs. 2,063 billion, showing investors' robust participation. The table shows the cut off yield of each tenor. As compared to the auction of PIBs in the last month, the cut off yields were down across all tenors in line with the policy rate cut. Cut off yields on 2Y and 3Y PIBs fell by 59 bps and 70 bps respectively, whereas the yield on 5Y and 10Y PIBs reported a decline of 67 bps each. The yield curve representing the month-end PKRVs witnessed a decline across all tenors ranging from 4 to 37 bps.

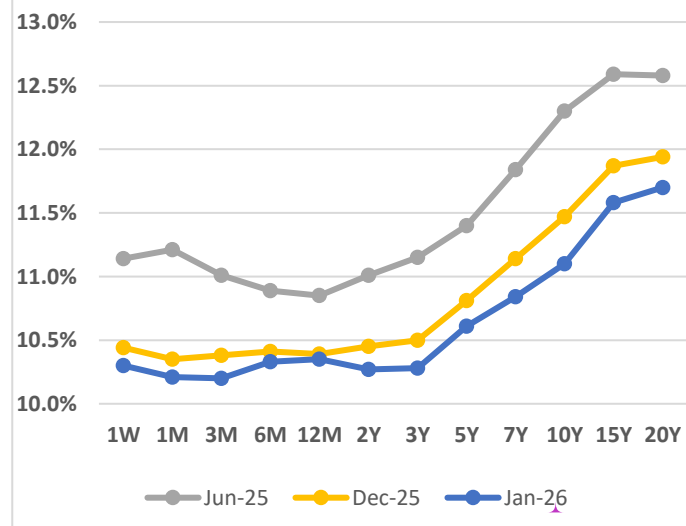
With the average inflation during the 7MFY26 (until January) recorded at 5.2%, it is expected that it will remain in the SBPs range of 5-7% in the second half, although it might breach the upper limit in the last quarter of FY26 due to the low base effect.

Going forward, with the economic activity picking up and relatively stable inflation, there might be room for a further rate cut in the next policy meeting before inflation starts rising in the last quarter. However, the international commodity prices remain volatile due to ongoing global conflicts that might influence the inflation outlook in the country.

<b>Policy Rate</b>	10.5%
<b>Next MPC Meeting</b>	9-Mar-2026

Security	Latest Auction	Cut-Off Yields/Price
<b>T-Bill 1M</b>	21/Jan/26	9.90%
<b>T-Bill 3M</b>	21/Jan/26	9.90%
<b>T-Bill 6M</b>	21/Jan/26	9.95%
<b>T-Bill 12M</b>	21/Jan/26	10.00%
<b>PIB 3Y</b>	14/Jan/26	10.14%
<b>PIB 5Y</b>	14/Jan/26	10.53%
<b>PIB 10Y</b>	14/Jan/26	11.00%
<b>PIB 15Y</b>	14/Jan/26	0.00%
<b>PFLH 5Y</b>	30/Apr/25	96.87
<b>PFLH 10Y</b>	21/Jan/26	0.00
<b>GISFRD1Y</b>	21/Jan/26	9.47%
<b>GISF3Y</b>	21/Jan/26	9.63%
<b>GISF5Y</b>	21/Jan/26	9.87%
<b>GISF10Y</b>	21/Jan/26	10.89%
<b>GISV3Y</b>	30/Apr/25	-
<b>GISV5Y</b>	14/Oct/25	-
<b>GISV10Y</b>	21/Jan/26	-56.50

### Yield Curve Shift





**The Punjab Pension Fund's investment objective** is to generate revenue to discharge the Government of Punjab's pension liabilities.

**Performance Review:** During the 7M FY 2025-26, the Fund's net assets grew by 14.6%.

**Fixed Income Portfolio:** During 7M FY 2025-26, the Fund's Fixed Income portfolio generated an annualized return of 14.8%. This performance was primarily driven by the Fund's timely allocation of an overweight position in long-term fixed-rate PIBs, ahead of the monetary easing cycle.

**Equity Portfolio:** The Equity Portfolio, representing 17% of the Fund, returned 44.8%. The KSE 100 index posted a return of 46.6% during the same period.

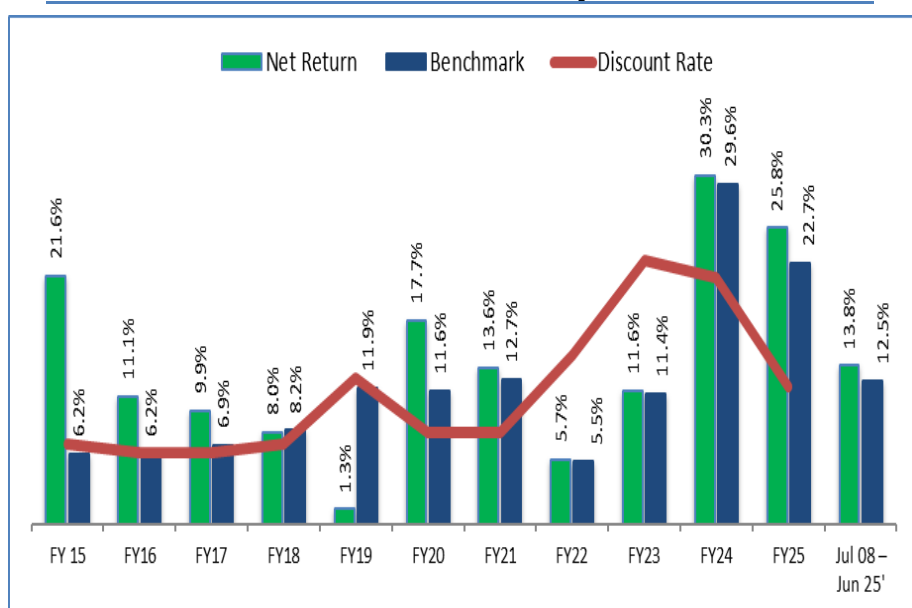
Going forward, in FY 2025-26, the Fund will maintain a prudent mix of fixed-income and equity allocations while actively rebalancing to align with evolving interest rates and market conditions.

	Fund Performance*	Fund Size (a)	Estimated** 30-yr Pension Liabilities (b)	(a)/(b)
FY09	15.00%	3.5	636.3	0.55%
FY10	13.21%	12.1	718.1	1.69%
FY11	10.81%	13.4	1,005.6	1.33%
FY12	16.86%	15.6	1,408.1	1.11%
FY13	20.46%	18.8	1,971.8	0.95%
FY14	5.65%	24.8	2,761.1	0.90%
FY15	21.57%	35.3	3,866.5	0.91%
FY16	11.14%	40.2	4,412.5	0.91%
FY17	9.88%	49.3	5,035.7	0.98%
FY18	7.97%	53.2	5,746.9	0.93%
FY19	1.34%	59.2	6,558.5	0.90%
FY20	17.72%	76.3	6,558.5	1.16%
FY21	13.59%	85.2	6,558.5	1.30%
FY22	5.68%	94.0	6,558.5	1.43%
FY23	11.63%	108.6	6,558.5	1.66%
FY24	30.28%	140.3	6,385.6	2.20%
FY 25	25.77%	171.5	6,385.6	2.69%
7M FY26	14.56%	196.5	6,385.6	3.08%
Jul '08 to Jan '26	14.20%			

\*Including mark-to-market gains/losses

\*\*Based on actuarial reports

### Performance History



### Fund Facts

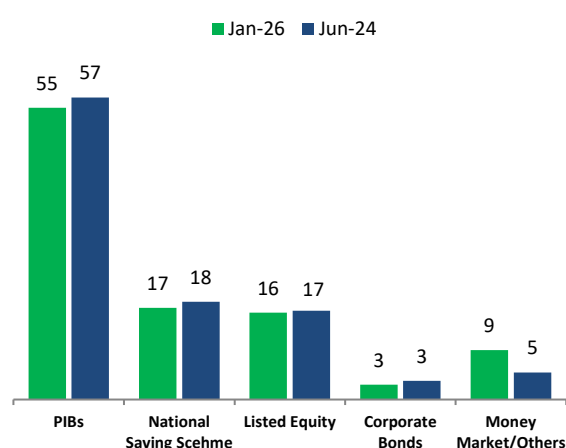
Fund Type	Pension Fund
Inception Date	16-Jun-08
Net Assets (Rs. million)	196,511
Total Expenses (annualized)	0.17% p.a. of Net Assets
Trustee	CDC Pakistan Limited
Risk Profile of the Fund	Low to Moderate

### Fund Size FY24-25

Rs. million

Beginning Fund Size (1 <sup>st</sup> Jul 2025)	171,534
Add: Contribution during the period	-
Add: Gain during period	25,161
Less: Expenses during the period	(184)
Less: Profit Withdrawal	-
<b>Ending Fund Size (31<sup>st</sup> January 2026)</b>	<b>196,511</b>

### Asset Allocation (% of Fund Size)



### Operational Investment Committee

Ashab Naeem Iqbal CEO/General Manager

Muhammad Sajid, CFA Chief Investment Officer

Haroon Zafar, CFA Head of Research/Portfolio

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**The Investment Objective** of the Punjab General Provident Fund (PGPF) is to generate revenue to discharge the General Provident Fund liabilities of the Government of Punjab.

**Performance Review**

The Fund’s assets grew by 14.8% during 7M FY 2025-26.

**Fixed Income:** During the period under review, the Fund’s Fixed-Income portfolio, which constitutes around 84% of the Fund, posted an annualized return of 15.3%. This performance was primarily driven by the Fund’s timely allocation of an overweight position in long-term fixed-rate PIBs, ahead of the monetary easing cycle.

**Equity:** The equity portfolio, which constitutes approximately 16% of the Fund, posted a holding-period return of 45.9%, compared with a KSE 100 index return of 46.6%.

Going forward, in FY 2025-26, the Fund will maintain a prudent mix of fixed-income and equity allocations while actively rebalancing to align with evolving interest rates and market conditions.

**Fund Facts**

Fund Type	Provident Fund
Inception Date	25-Jun-14
Net Assets (Rs. million)	36,223
Total Expenses (annualized)	0.05% p.a.
Risk Profile of the Fund	Low to Moderate

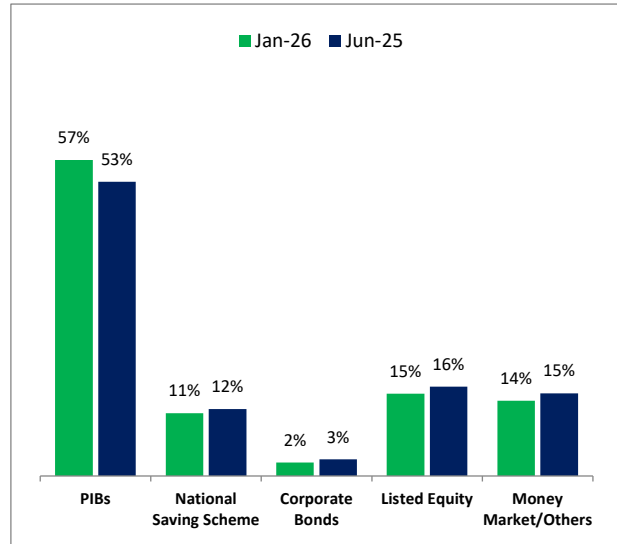
**Fund Size FY24-25**

*Rs. million*

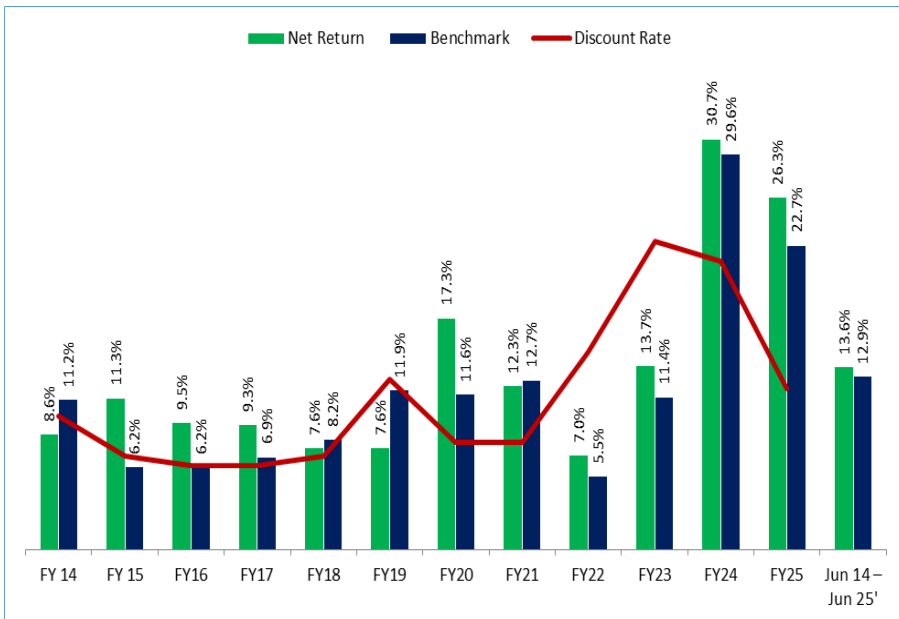
Beginning Fund Size (1 <sup>st</sup> July 2025)	31,562
Add: Contribution during the year	-
Add: Gains during the period	4,671
Less: Expenses during the period	(10)

**Ending Fund Size (31<sup>st</sup> January 26)** **36,223**

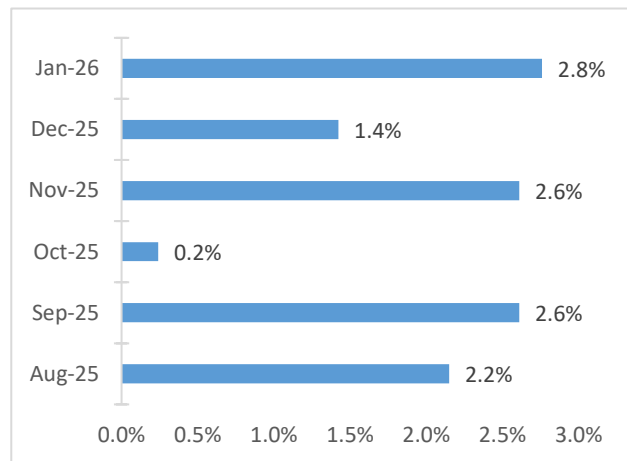
**Asset Allocation**



**Performance History**



**Growth in Assets**



**Operational Investment Committee**

Ashab Naeem Iqbal	General Manager
Muhammad Sajid, CFA	Chief Investment Officer
Haroon Zafar, CFA	Head of Portfolio

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